

HORNBECK OFFSHORE SERVICES INC /LA

Form 10-Q

November 09, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-32108

**Hornbeck Offshore Services, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**72-1375844**  
(I.R.S. Employer

Identification Number)

**103 NORTHPARK BOULEVARD, SUITE 300**

**COVINGTON, LA 70433**

(Address of Principal Executive Offices) (Zip Code)

**(985) 727-2000**

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The total number of shares of common stock, par value \$.01 per share, outstanding as of September 30, 2009 was 26,116,144.

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**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**

**FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2009**

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**Table of Contents****PART 1 FINANCIAL INFORMATION****Item 1 Financial Statements****HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)**

	September 30, 2009	December 31, 2008
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 61,891	\$ 20,216
Accounts receivable, net of allowance for doubtful accounts of \$1,303 and \$2,135, respectively	63,197	87,942
Other receivables, net	9,038	13,865
Other current assets	13,509	12,203
<b>Total current assets</b>	<b>147,635</b>	<b>134,226</b>
Property, plant and equipment, net	1,563,202	1,405,340
Deferred charges, net	39,050	37,972
Other assets	16,245	18,205
<b>Total assets</b>	<b>\$ 1,766,132</b>	<b>\$ 1,595,743</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,051	\$ 16,693
Accrued interest	10,202	2,110
Accrued payroll and benefits	7,594	10,078
Deferred revenue	6,374	21,720
Current taxes payable	1,242	13,990
Other accrued liabilities	6,717	3,566
<b>Total current liabilities</b>	<b>41,180</b>	<b>68,157</b>
Revolving credit facility		125,000
Long-term debt, net of original issue discount of \$56,087 and \$56,481, respectively	743,913	493,519
Deferred tax liabilities, net	194,120	169,987
Other liabilities	2,285	2,180
<b>Total liabilities</b>	<b>981,498</b>	<b>858,843</b>
Stockholders equity:		
Preferred stock: \$0.01 par value; 5,000 shares authorized; no shares issued and outstanding		
Common stock: \$0.01 par value; 100,000 shares authorized; 26,116 and 25,920 shares issued and outstanding, respectively	261	259
Additional paid-in-capital	404,242	397,593

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Retained earnings	379,892	338,818
Accumulated other comprehensive income	239	230
Total stockholders' equity	784,634	736,900
Total liabilities and stockholders' equity	\$ 1,766,132	\$ 1,595,743

The accompanying notes are an integral part of these consolidated statements.

**Table of Contents****HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
	(Unaudited)		(Unaudited)	
Revenues	\$ 90,086	\$ 109,060	\$ 297,642	\$ 311,053
Costs and expenses:				
Operating expenses	39,741	41,270	121,191	124,363
Depreciation	11,091	8,463	57,410	24,215
Amortization	5,423	4,379	18,564	13,825
General and administrative expenses	6,864	8,726	23,302	26,718
	63,119	62,838	220,467	189,121
Gain on sale of assets	105	6,401	346	8,402
Operating income	27,072	52,623	77,521	130,334
Other income (expense):				
Interest income	179	142	365	1,370
Interest expense	(5,586)	(1,393)	(12,584)	(5,466)
Other income (expense), net	(14)	67	(263)	141
	(5,421)	(1,184)	(12,482)	(3,955)
Income before income taxes	21,651	51,439	65,039	126,379
Income tax expense	(7,877)	(18,157)	(23,965)	(45,222)
Net income	\$ 13,774	\$ 33,282	\$ 41,074	\$ 81,157
Basic earnings per common share	\$ 0.53	\$ 1.29	\$ 1.58	\$ 3.14
Diluted earnings per common share	\$ 0.51	\$ 1.23	\$ 1.52	\$ 3.00
Weighted average basic shares outstanding	26,100	25,867	26,013	25,825
Weighted average diluted shares outstanding	27,036	27,089	26,955	27,062

The accompanying notes are an integral part of these consolidated statements.

**Table of Contents****HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Nine Months Ended September 30,	
	2009	2008
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 41,074	\$ 81,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	57,410	24,215
Amortization	18,564	13,825
Stock-based compensation expense	6,584	8,433
Provision for bad debts	(832)	149
Deferred tax expense	17,883	31,204
Amortization of deferred financing costs	9,256	8,611
Gain on sale of assets	(346)	(8,402)
Equity in (income) loss from investment	267	(168)
Changes in operating assets and liabilities:		
Accounts receivable	24,340	(14,538)
Other receivables and current assets	4,349	2,014
Deferred drydocking charges	(15,039)	(14,821)
Accounts payable	(9,809)	2,453
Accrued liabilities and other liabilities	(19,180)	10,816
Accrued interest	8,092	5,683
Net cash provided by operating activities	142,613	150,631
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Costs incurred for MPSV program	(96,498)	(241,866)
Costs incurred for OSV newbuild program #4	(117,398)	(138,147)
Costs incurred for TTB newbuild program #2		(9,261)
Acquisition of shore-base port facility		(11,541)
Net proceeds from sale of assets	7,047	17,812
Vessel capital expenditures	(4,444)	(19,622)
Non-vessel capital expenditures	(3,509)	(11,878)
Net cash used in investing activities	(214,802)	(414,503)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings under revolving credit facility	75,000	110,000
Repayment of borrowings under revolving credit facility	(200,000)	
Net proceeds from issuance of senior notes	242,808	
Deferred financing costs	(5,537)	
Net cash proceeds from other shares issued	1,585	1,638
Net cash provided by financing activities	113,856	111,638
Effects of exchange rate changes on cash	8	17
Net increase (decrease) in cash and cash equivalents	41,675	(152,217)

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Cash and cash equivalents at beginning of period	20,216	173,552
Cash and cash equivalents at end of period	\$ 61,891	\$ 21,335
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:</b>		
Cash paid for interest	\$ 12,914	\$ 12,424
Cash paid for income taxes	\$ 15,520	\$ 4,096

The accompanying notes are an integral part of these consolidated statements.



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**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements do not include certain information and footnote disclosures required by United States generally accepted accounting principles, or GAAP. The interim financial statements and notes are presented as permitted by instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements have been included and consist only of normal recurring items. The unaudited quarterly financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Hornbeck Offshore Services, Inc. (together with its subsidiaries, the Company) for the year ended December 31, 2008, as supplemented by the Company's Current Report on Form 8-K filed August 11, 2009 to reflect certain retrospective adjustments relating to the adoption of new rules impacting the accounting for the Company's convertible senior notes. The results of operations for the three and nine month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Certain amounts reported in prior periods have been reclassified or adjusted to conform to the 2009 presentation as further discussed below in Recent Accounting Pronouncements. We have evaluated all subsequent events through November 9, 2009, the date the financial statements were issued and have considered any such events for disclosure.

The consolidated balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

***Recent Accounting Pronouncements***

*Convertible Debt.* Effective January 1, 2009, the Company retroactively applied new accounting rules set forth by the Financial Accounting Standards Board regarding the Company's 1.625% convertible senior notes due 2026, or convertible senior notes. The new requirements state that the liability and equity components of a convertible debt instrument that may be settled in cash upon conversion be accounted for separately so that an entity's accounting reflects additional non-cash original issue discount, or OID, i